

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON SEPTEMBER 23 AND 24, 2003

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the regular meeting of the Commissioners of the Virginia Housing Development Authority were held on September 23 and 24, 2003, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Charles L. Krum, Jr., Chairman
Jay Fisette, Vice Chairman
Joan D. Gifford
Terri M. Ceaser
Jody M. Wagner
William C. Shelton
Douglas R. Fahl
John P. McCann
Edward L. McCoy
J. Cheryl J. Avery-Hargrove

COMMISSIONERS ABSENT:

Jack Loeb, Jr.

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
Arthur N. Bowen, Managing Director of Finance and Administration
Ronald A. Reger, Managing Director of Information Services
Tammy N. Taylor, Managing Director of Human Resources
Russ E. Wyatt, General Auditor
Brenda K. Goodman, Managing Director of Public Policy
J. Judson McKellar, Jr., General Counsel
Tammy A. Tyler, Strategic Development Leader
John F. Hastings, Director of Multi-Family Programs
Michele G. Watson, Director of Homeownership Programs
James M. Chandler, Senior Development Officer
Patrick J. Carey, Finance Director
Robert Shearer, Facilities Manager
J. C. Corbett, Security Supervisor

David Holsapple, Maintenance Supervisor
Jacquelyn E. Stone, McGuireWoods LLP

The meeting of the Committee of the Whole was called to order at 4:05 p.m. on September 23, 2003. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting of the Committee.

Ms. Stone presented a summary of the legal duties and responsibilities of the Board, and Mr. Chandler presented an overview of the federal low-income housing tax credit program. Following these presentations, the meeting was recessed at 6:20 p.m.

The meeting was reconvened at 9:40 a.m. on September 24, 2003. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting of the Committee.

Ms. Dewey presented a report summarizing the Authority's organizational performance for fiscal year 2002-2003, including information on the following: loan production; targeted loan production; incomes of households served by the homeownership program; the minority and new immigrant outreach efforts; ethnicities and market areas served by the homeownership program; loan production by product type and program; market areas served by the multi-family loan programs; status of the loan servicing portfolios; net revenues; and other strategic efforts and organizational results. Ms. Dewey next reviewed the Authority's revised strategic goal # 5 entitled "Strengthen VHDA's Ability to Provide Affordable Housing in Virginia" included in its 2004 Strategic Plan. Ms. Dewey then presented an update on activities with respect to possible legislation that may be introduced in the 2004 Session of the General Assembly as a result of the elimination of the restriction requiring multiple borrowers in the Authority's single family loan program to be related by blood, marriage, adoption or legal custodial relationship, and Ms. Dewey advised the Commissioners as to the status of the legislation to be proposed by the Authority for the 2004 Session of the General Assembly that will authorize the Authority to finance mixed income and mixed use developments.

There being no further business, the meeting of the Committee of the Whole was adjourned at 10:32 a.m.

The regular meeting of the Board of Commissioners was called to order at approximately 12:01 p.m. on September 24, 2003. All of the Commissioners listed above as being present at the meeting were present at that time and remained present throughout the meeting.

Ms. Dewey updated the Commissioners on the effect of hurricane Isabel on the Authority's office building and presented certificates to Messrs. Shearer, Corbett and Holsapple in recognition of their services in staying in the Authority's office building during the hurricane. Ms. Dewey advised the Commissioners that the Authority would be waiving late charges, providing insurance information, and restructuring loan payments for single family borrowers affected by the hurricane.

No members of the public requested an opportunity to make any comments during the public comment period of the meeting.

Vice Chairman Fisette moved approval of the minutes of the public hearing held on July 24, 2003 and the meeting of the Committee of the Whole and the annual meeting of the Commissioners held on July 25, 2003. This motion was seconded by Commissioner Fahl and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Mr. Bowen presented a report on the Authority's unaudited financial statements for the periods ended June 30, 2003 and July 31, 2003. In his presentation, Mr. Bowen advised the Commissioners that the Authority's budget for fiscal year 2003-2004 would be revised to reflect (i) the receipt of all of the fee income received by the Authority from HUD for the Authority's administration of the Housing Choice Voucher Program and (ii) the expenditure of the portion of such fee that is paid to the Authority's local administrators for their services in the administration of such Program. Mr. Bowen next presented the salient features of the Authority's proposed VHDA General Purpose Bonds, 2003 Series Q-Taxable, R-AMT, S, T and U, Commonwealth Mortgage Bonds, 2003 Series D-AMT and E, Rental Housing Bonds, 2003 Series F-Taxable and G-AMT, and Commonwealth Mortgage Bonds, 2003 Series F Pass-Through Certificates.

Ms. Dewey presented an amended resolution to establish the dates of the regular meetings of the Board of Commissioners for the remainder of fiscal year 2003-2004. Commissioner Avery-Hargrove then moved approval of the resolution entitled "Amended Resolution Establishing Regular Meeting Dates of the Board of Commissioners through July 31, 2004" dated September 24, 2003 in the form attached hereto. This motion was seconded by Commissioner Fahl and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner Fahl, on behalf of the Audit/Operations Committee, reported that the Committee had received reports from the General Auditor on the status of the internal audit schedule and outstanding audit recommendations. Commissioner Fahl next reported that the Committee had received a staff report on the Authority's 2004 employment benefits, the proposed changes to such benefits, and the goals proposed by staff to (i) remain market competitive, (ii) make decisions that ensure adequate options are available to all associates, (iii) ensure equitable cost sharing between employer and employee, and (iv) reduce the cost of healthcare over a period of 3-5 years and bring it closer to industry benchmarks. Commissioner Fahl then moved approval of the adoption of the proposed goals. This motion was seconded by Commissioner Avery-Hargrove and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Commissioner Gifford, on behalf of the Programs Committee, reported the following: the Committee had received staff reports on homeownership and multi-family loan production; the Committee had received a staff report on proposed amendments to the Authority's Federal Low-Income Housing Tax Credit Qualified Allocation Plan for calendar year 2004, including

rules and regulations, and recommended that the staff proceed with the publication for public comment and the public hearing on such proposed amendments; the Committee had received a staff report on allocations of funds in the Virginia Housing Fund for fiscal year 2003-2004 and recommended approval of such allocations; the Committee had received a staff report on proposed amendments to the Authority's single family regulations and recommended approval of such amendments, provided that any requirements and terms for the financing of manufactured housing which are to be imposed by the Authority pursuant to such amendments shall be submitted to the Commissioners for prior approval; the Committee had received reports on the status of the Housing Choice Voucher Program and on single family and multi-family loan delinquencies; and the Committee recommended approval of the resolution to ratify reservations of federal low-income housing tax credits to the remaining developments in the At-Large Pool. Commissioner Gifford then moved that (i) the staff be authorized to proceed with the publication for public comment and the public hearing on the proposed amendments to the Qualified Allocation Plan, including rules and regulations, in the form presented to the Commissioners, (ii) that the allocations of funds in the Virginia Housing Fund for fiscal year 2003-2004 as set forth in the attached Memorandum dated September 17, 2003 be approved, (iii) the resolution entitled "Resolution Amending the Rules and Regulations for Single Family Mortgage Loans to Persons and Families of Low and Moderate Income," dated September 24, 2003, be approved in the form attached hereto, and (iv) the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated September 24, 2003 be approved in the form attached hereto. This motion was seconded by Commissioner Fahl and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Ms. Dewey presented her monthly report of operations in which she advised the Commissioners as to the schedule and plans for the Annual NCSHA Conference and the Governor's Housing Conference and informed the Commissioners that the Authority had taken possession of Hertitage Acres XVIII and expected to foreclose in approximately 30 days.

Chairman Krum, on behalf of the Executive Committee, reported that the Committee recommended approval of increases in compensation and benefits for the Executive Director as described in material distributed at the meeting. Commissioner Fahl then moved approval of such increases. This motion was seconded by Commissioner Gifford and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

There being no further business, the meeting was adjourned at approximately 12:50 p.m.

Charles L. Krum, Jr., Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE **ON SEPTEMBER 24, 2003**

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Executive Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on September 24, 2003, at the Virginia Housing Center, 601 South Belvidere Street, Richmond Virginia.

COMMITTEE MEMBERS PRESENT:

Charles L. Krum, Jr., Committee Chairman
Jay Fisette
Joan D. Gifford
Douglas R. Fahl

OTHERS PRESENT:

Tammy N. Taylor, Managing Director of Human Resources
J. Judson McKellar, Jr., General Counsel

The meeting of the Committee was called to order by Chairman Krum at approximately 8:35 a.m. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

Commissioner Fahl moved that the Committee convene in closed session to discuss and consider the performance and salary of Ms. Dewey in accordance with Section 2.2-3711.A.1 of the Code of Virginia and that Ms. Taylor, who is deemed necessary to be present and will reasonably aid the Committee in its consideration of the aforesaid topic, be present during the closed session. This motion was seconded by Commissioner Gifford and was approved by the affirmative vote of each of the members of the Committee present at the meeting and authorized to vote. Mr. McKellar then left the meeting.

Following the closed session, the Committee reconvened in an open meeting, and each member of the Committee certified, by roll call vote, that to the best of his or her knowledge, only public business matters lawfully exempted from open meeting requirements under the Freedom of Information Act and only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting by the members of the Committee.

There being no further business, the meeting was adjourned at approximately 9:35 a.m.

Charles L. Krum, Jr., Chairman

J. Judson McKellar, Jr., Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE **ON SEPTEMBER 24, 2003**

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Programs Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on September 24, 2003, at the Virginia Housing Center, 601 South Belvidere Street, Richmond Virginia.

COMMITTEE MEMBERS PRESENT:

Joan D. Gifford, Acting Committee Chairman
Terri M. Ceaser
William C. Shelton
John P. McCann
Jay Fissette

COMMITTEE MEMBER ABSENT:

Jack Loeb, Jr.

OTHERS PRESENT:

Susan Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
J. Judson McKellar, Jr., General Counsel
John F. Hastings, Assistant Director of Multi-Family Development
Michele G. Watson, Assistant Director of Single Family
James M. Chandler, Program Director
Llewellyn C. Anderson, Business Liaison
Paul M. Brennan, Senior Counsel
Sharon B. Fairburn, Program Director
Brenda Goodman, Acting Managing Director of Public Relations
Tammy A. Tyler, Strategic Development Leader

The meeting of the Committee was called to order by Commissioner Gifford at approximately 10:37 a.m. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

A correction to the proposed minutes of the Committee meeting held on July 25, 2003 was requested by Commissioner McCann to reflect that he abstained from approving and ratifying the reservation of 2003 Low Income Housing Tax Credits to Dabbs House Senior

Apartments only. Commissioner Ceasar then moved approval of the minutes of the Committee held on July 25, 2003, as so revised. This motion was seconded by Commissioner McCann and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Ritenour presented reports on single family and multi-family loan production.

Mr. Chandler presented a summary of the proposed amendments to the Authority's Low Income Housing Tax Credit Qualified Allocation Plan for calendar year 2004, including rules and regulations. Commissioner Fissette requested that the staff consider providing an incentive for developments that are location efficient. Mr. Chandler next presented a resolution to ratify reservations of federal low-income housing tax credits to the remaining developments in the At-Large Pool. Commissioner Gifford moved that the Committee recommend that (i) the staff proceed with the publication for public comment and the public hearing on the proposed amendments to the Authority's Low Income Housing Tax Credit Qualified Allocation Plan for calendar year 2004, including rules and regulations and (ii) the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated September 24, 2003 be approved. This motion was seconded by Commissioner McCann and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Ritenour presented a memorandum on proposed allocations of funds in the Virginia Housing Fund for fiscal year 2003-2004. Commissioner McCann moved that the Committee recommend approval of such proposed allocations. The motion was seconded by Commissioner Fissette and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Ritenour next presented a memorandum on proposed amendments to the Authority's rules and regulations for single family mortgage loans. Commissioner Fissette moved that the Committee recommend approval of the resolution entitled "Resolution Amending the Rules and Regulations for Single Family Mortgage Loans to Persons and Families of Low and Moderate Income" dated September 24, 2003, provided that any requirements and terms for the financing of manufactured housing which are to be imposed by the Authority pursuant to such amendments shall be submitted to the Commissioners for prior approval. The motion was seconded by Commissioner McCann and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Ms. Fairburn presented an update of the Housing Choice Voucher Program (HCV). She reported that the HCV program remains at 97% leasing.

Mr. Dolce next presented an update of Single Family delinquencies.

There being no further business, the meeting was adjourned at approximately 11:55 a.m.

Minutes of the Meeting of the Audit/Operations Committee Held on September 24, 2003

The meeting of the Audit/Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on September 24, 2003 at the offices of the Authority, 601 S. Belvidere Street, Richmond, Virginia 23220.

Committee Members Present	Douglas Fahl, Chairman Charles Krum J. Cheryl J. Avery-Hargrove, Esquire Edward McCoy, Jr. Jodie Wagner
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Others Present	Susan F. Dewey, Executive Director Art Bowen, Managing Director of Finance & Administration Ron A. Reger, Managing Director of Information Services Tammy N. Taylor, Managing Director of Human Resources Russ Wyatt, General Auditor Michelle Edmonds, Administrative Assistant
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Meeting Called to Order	The meeting was called to order at 10:41 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting.
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Approval of Minutes	Commissioner McCoy moved approval of the minutes of the meeting of the Audit/Operations Committee held on July 25, 2003. Commissioner Hargrove seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting.
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Internal Audit Update	The General Auditor gave a brief update on the status of the Audit Department's Strategic Plan and its five areas of focus, which include: 1) Increase focus on performance auditing techniques; 2) Add planned special projects to the schedule and make time available for unplanned special projects; 3) Develop and implement perpetual auditing tasks; 4) Develop and maintain an Audit Intranet Website; 5) Establish a risk-based audit schedule that calls for most full departmental audits to be performed on a five-year cycle frequency and high risk processes to be reviewed in the interim. The General Auditor reported that the five-year audit schedule is progressing as anticipated and that no new audit reports were issued in the time period covered by this report. The General Auditor also reported on the status of outstanding audit issues not yet fully resolved by management and indicated progress on each issue.
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**Review Actions
for 2004
Employee
Benefits**

Tammy Taylor reviewed plans for 2004 benefits administration. For calendar year 2004, VHDA is taking the second step toward implementation of the Total Compensation Strategic Plan. The first step was taken last year (FY 2002) by having associates absorb a portion (25%) of the unusually high health insurance increase. For FY 2004, VHDA plans to 1) begin migrating to the industry benchmark percentages by restructuring the employer/employee paid portion of the premium; 2) redistribute the contribution table to properly align the cost ratio of the five tiers; 3) un-bundle the medical and dental plans allowing for more flexibility and lower employer costs; and 4) encourage associates to migrate to the lower cost plan (HMO). Open enrollment period begins in October. Associates may experience a cost increase or savings depending on which plan and tier they select. Tammy will update the Committee at the November meeting as to the amount of cost savings. Overall medical rates for 2004 are 4.3% and 4.5% for dental. Commissioner Krum moved that VHDA staff proceed in the direction as outlined above. Commissioner Hargrove seconded this motion. This motion was approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Adjournment

There being no further business, Chairman Fahl adjourned the meeting at 11:25 a.m.

Arthur N. Bowen, III
Managing Director of Finance &
Administration

Douglas R. Fahl
Chairman